



# AMERICAN STORES COMPANY



**Annual Report** FISCAL YEAR ENDED APRIL 3, **1954**



# AMERICAN STORES COMPANY AND SUBSIDIARIES

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## FINANCIAL HIGHLIGHTS

	53 weeks ended April 3, 1954	52 weeks ended March 28, 1953
Sales.....	\$603,736,507	\$542,035,133
Earnings before taxes on income.....	15,678,143	10,548,677
Federal and State taxes on income.....	8,210,000	5,465,000
Net earnings.....	7,468,143	5,083,677
Working capital.....	43,162,113	42,105,017
Shares outstanding at year-end.....	1,368,496	1,301,320
Per share:		
Earnings.....	5.45	3.90
Cash dividends .....	2.00*	2.00
Stockholders' equity.....	47.91	46.60
Number of stores.....	1,132	1,289

\*In addition a 5% stock dividend was paid.

(For more comprehensive comparisons see Fifteen-Year Financial  
Summary on page 8.)

# TO THE STOCKHOLDERS

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We present the Annual Report of the Company for the fiscal year ended April 3, 1954, a fifty-three week period.

## **Sales**

Sales of the Company and its subsidiaries reached a new high and totaled \$603,736,507. This was an increase of \$61,701,374 or 11.4% over the preceding year, a fifty-two week period. After adjustment to a fifty-two week basis, the sales increase amounted to 9.3%. Tonnage sales showed a somewhat greater increase than dollar sales as retail food prices averaged slightly lower than in the preceding year.

## **Earnings**

Earnings before taxes for the year amounted to \$15,678,143 as compared with \$10,548,677 for the preceding year.

Net earnings totaled \$7,468,143 or \$5.45 per share on the 1,368,496 shares outstanding at the year-end. This compared with earnings of \$3.90 per share based on 1,301,320 shares outstanding at the end of the preceding year. Net earnings were 1.24% of sales as compared with 0.94% for the preceding year.

## **Dividends**

Quarterly cash dividends of 50¢ a share were paid during the year, the same rate as

last year. In addition, a 5% stock dividend consisting of 65,150 shares of common stock was paid January 2, 1954 to stockholders of record at the close of business November 30, 1953.

## **Financial**

Current assets amounted to \$72,093,857 at the year-end and current liabilities \$28,931,744, a ratio of 2.49 to one. Net working capital increased to \$43,162,113.

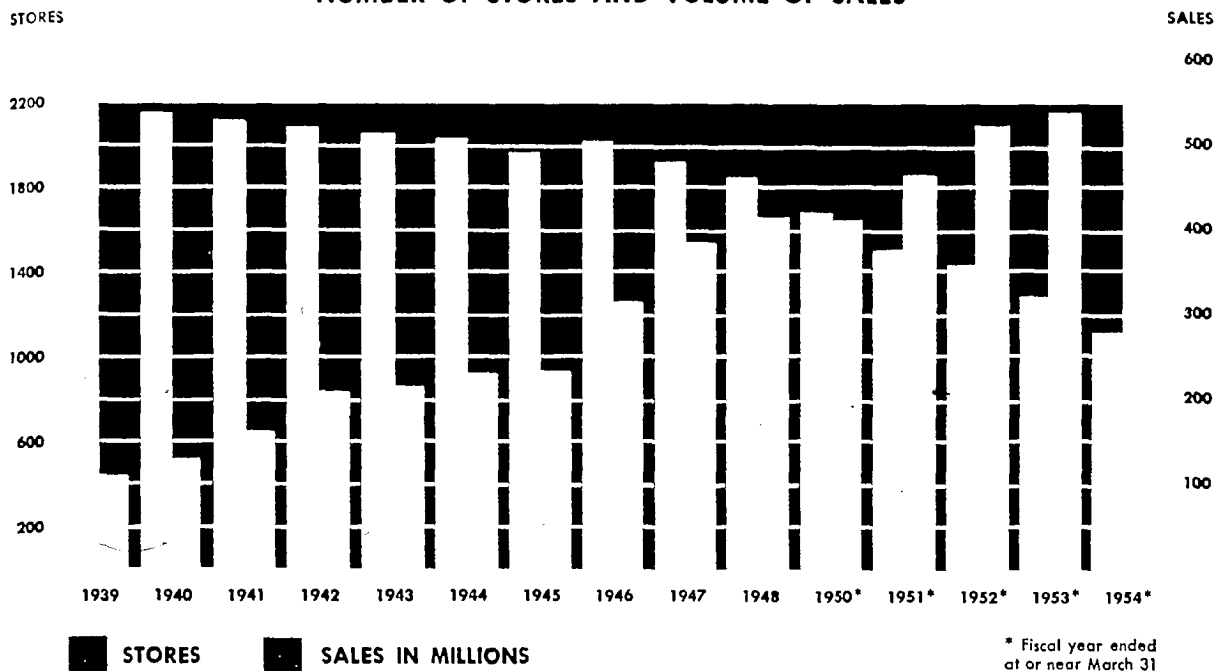
Long-term debt remained unchanged from the preceding year although the first annual instalment of \$1,125,000 will be payable on August 1, 1954. There was no short-term bank borrowing at the end of the year.

## **Store operations**

The store expansion and modernization program was continued as scheduled with the opening of 42 new markets.

At the end of the year, 20 markets were under construction in varying stages of completion with commitments for an additional 22 locations. Some of these new markets are located in carefully selected shopping centers which provide a common parking area for a number of stores offering a wide range of goods and services. Other markets are being constructed as individual units with parking facilities exclu-

## NUMBER OF STORES AND VOLUME OF SALES



sively for our customers. The matter of providing extensive parking space for all of our markets has assumed increased importance. To be considered sufficient today, parking areas must be approximately double the size of those deemed necessary a few years ago.

During the year 199 of the service units and older self-service units were closed. Stores in operation at the year-end numbered 1,132.

### ***Plant and equipment***

Construction is well under way on a new one-story warehouse and office in Syracuse, New York which will replace the present inadequate multistory warehouse. The new building, to be completed in 1954, will contain approximately three and one-half times the floor space of the present warehouse.

Our expanding business in northern New Jersey has made it necessary to enlarge the Kearny warehouse. Construction has just started on this project and it is expected that the addition, providing approximately 109,000 square feet of grocery storage area, will be completed this year.

There is also under construction an addition to the bakery facilities in Buffalo, New York which upon completion will have the capacity to produce a full line of baked goods for our stores throughout the Buffalo area.

During the year expenditures for plant and equipment for all divisions of the business totaled \$6,453,159 and provision for depreciation and amortization amounted to \$4,226,020.

Since the end of World War II expenditures for plant and equipment totaled \$58,752,047.

## Personnel

The employee benefit program was expanded considerably, with the result that life insurance, accident and sickness benefits, and hospital, medical and surgical coverage are now being provided on a broad scale. In addition, the Employees Retirement Plan is operating with 98.8% of eligible employees participating. At the year-end 480 retired employees were receiving regular retirement income payments.

On June 17, 1953 Mr. Wilfred D. Gillen, president of The Bell Telephone Company of Pennsylvania, was elected to the Board of Directors.

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It is with deep sorrow that we report the death on May 2, 1954 of Mr. Edward J. Flanigan, a member of the Board of Direc-

tors. He was the first secretary of our Company and served faithfully in that capacity and as vice president until his retirement in 1948.

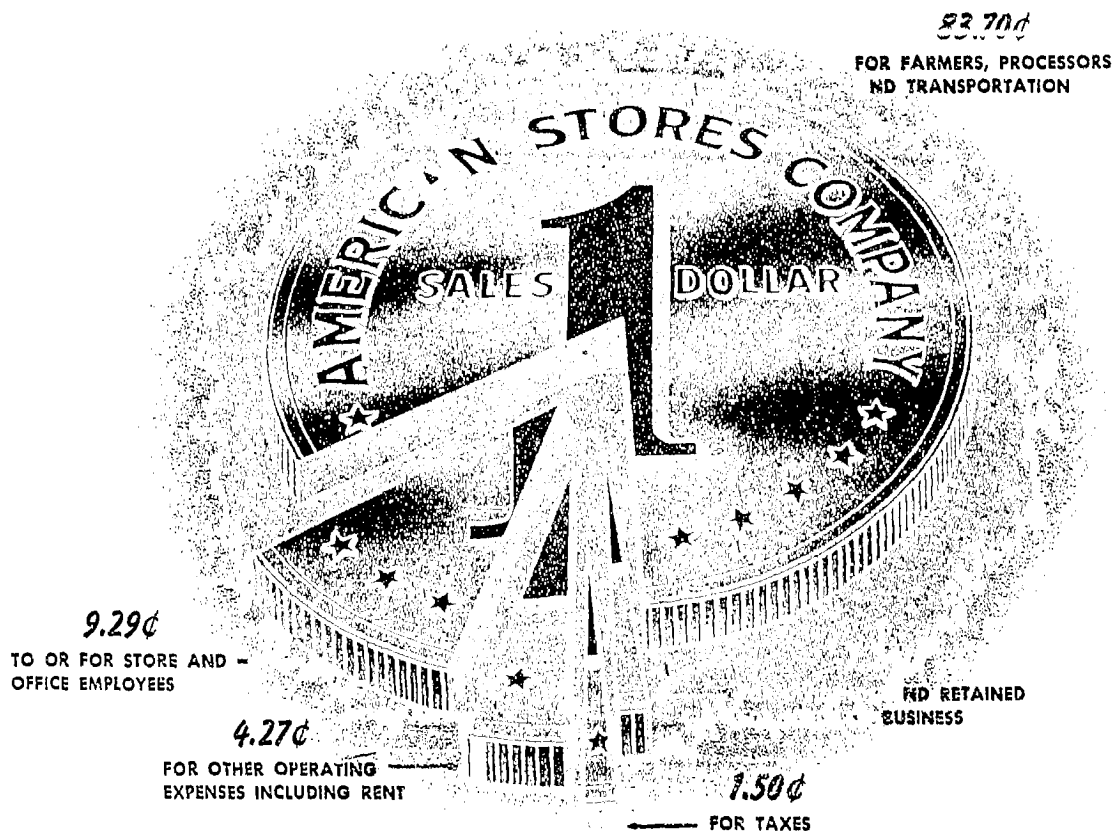
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The management looks forward to continued growth of the business as the Company is in a better position than ever, from the standpoint of facilities and trained personnel, to satisfy the food requirements of the increasing population in the area we serve.

*William Park*  
President

May 26, 1954

## HOW THE SALES DOLLAR WAS DIVIDED



# American Stores Company and Subsidiaries

## STATEMENT OF CONSOLIDATED EARNINGS

*Fifty-three weeks ended April 3, 1954*

*(with comparative figures for preceding period)*

	<u>Fifty-three weeks ended April 3, 1954</u>	<u>Fifty-two weeks ended March 28, 1953</u>
<b>CURRENT EARNINGS</b>		
Sales:		
Retail stores.....	\$593,741,999	\$531,945,170
Other.....	9,994,508	10,089,963
	<u>603,736,507</u>	<u>542,035,133</u>
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses.....	505,738,226	459,246,020
Wages, rents, advertising, administrative and other operating expenses.....	77,492,058	67,532,927
Depreciation and amortization.....	4,226,020	4,070,942
Net gain on sale and retirement of plant and equipment...	(214,258)	(254,440)
	<u>587,242,016</u>	<u>530,595,449</u>
Operating profit.....	16,494,461	11,439,684
Interest on loans, less miscellaneous income.....	816,318	891,007
Earnings before taxes on income.....	<u>15,678,143</u>	<u>10,540,677</u>
Taxes on income, estimated:		
Federal and State income taxes.....	8,167,000	5,399,000
Federal excess profits tax.....	43,000	66,000
	<u>8,210,000</u>	<u>5,465,000</u>
Net earnings.....	<u>\$ 7,468,143</u>	<u>\$ 5,083,677</u>

### EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance at beginning of period.....	\$ 42,643,357	\$ 39,401,309
Net earnings for the period.....	7,468,143	5,083,677
Net gain on sale and retirement of plant and equipment in prior years.....	—	761,011
	<u>50,111,500</u>	<u>45,245,997</u>
Deduct:		
Cash dividends—\$2 per share.....	2,637,713	2,602,640
Stock dividend—5%.....	2,729,785	—
	<u>5,367,498</u>	<u>2,602,640</u>
Balance at end of period.....	<u>\$ 44,744,002</u>	<u>\$ 42,643,357</u>

See accompanying notes to financial statements.



# American Stores Company and Subsidiaries

April 3, 1954 (with comparative figures for 1953)

## ASSETS

	April 3, 1954	March 28, 1953
Current assets:		
Cash . . . . .	\$16,973,484	\$ 15,522,248
Accounts receivable . . . . .	3,918,401	2,942,803
Inventories, at lower of cost or market . . . . .	51,202,272	48,616,788
Total current assets . . . . .	<u>72,093,857</u>	<u>67,081,839</u>
Mortgages and miscellaneous investments . . . . .	725,533	202,331
Plant and equipment:		
Land . . . . .	2,628,723	2,521,735
Buildings . . . . .	20,420,080	19,526,288
Machinery, equipment and fixtures . . . . .	38,222,271	35,892,614
Leasehold improvements . . . . .	4,691,631	4,106,639
Total plant and equipment, at cost . . . . .	<u>65,962,705</u>	<u>62,047,276</u>
Less accumulated depreciation and amortization . . . . .	<u>21,913,628</u>	<u>19,877,189</u>
	<u>44,049,077</u>	<u>42,169,787</u>
Goodwill . . . . .	1	1
Prepaid expenses and deferred charges . . . . .	1,991,106	1,717,089
	<u>\$118,862,874</u>	<u>\$111,171,597</u>

## ACCOUNTANTS' REPORT

THE BOARD OF DIRECTORS  
AMERICAN STORES COMPANY:

We have examined the consolidated balance sheet of American Stores Company and subsidiaries as of April 3, 1954 and the related statement of earnings for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of American Stores Company and subsidiaries at April 3, 1954 and the results of their operations for the fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PEAT, MARWICK, MITCHELL & Co.

Philadelphia, Pa.  
May 10, 1954

CONSOLIDATED  
BALANCE  
SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 3, 1954	March 28, 1953
Current liabilities:		
Notes payable to banks.....	\$ —	\$ 1,800,000
Notes payable, long-term, instalment due within one year (note 1).....	1,125,000	—
Accounts payable.....	14,771,308	12,879,635
Accrued expenses.....	4,115,446	4,069,977
Federal and State taxes on income, estimated.....	8,919,990	6,227,210
Total current liabilities.....	28,931,744	24,976,822
Notes payable, long-term, less instalment due within one year (note 1).....	23,875,000	25,000,000
Provision for employees' retirement income benefits.....	497,885	542,863
Stockholders' equity:		
Common stock (note 2):		
\$1 par value—authorized 2,000,000 shares; outstanding 1,368,496 shares.....	1,368,496	—
Without par value—authorized 1,500,000 shares; outstanding 1,301,320 shares.....	—	18,008,555
Capital in excess of par value of common stock (note 3).....	19,445,747	—
Earnings retained for use in the business, less amount capitalized through stock dividend (note 1).....	44,744,002	42,643,357
	65,558,245	60,651,912
	<u>\$118,862,874</u>	<u>\$111,171,597</u>

NOTES TO FINANCIAL STATEMENTS

1. NOTES PAYABLE, LONG-TERM. The notes are payable in annual instalments of \$1,125,000 from 1954 to 1965 inclusive with a final maturity of \$10,375,000 on August 1, 1967. Interest on \$7,500,000 is at the rate of 2½% per annum and on the remaining \$17,500,000 at 3% per annum. The notes contain restrictions as to the payment of cash dividends on common stock and the reacquisition and retirement of shares of stock of the company. Of the earnings retained for use in the business at April 3, 1954, an amount of \$27,764,189 is free of such restrictions.

2. STOCK OPTIONS. At April 3, 1954 there remained outstanding options granted to 52 officers and employees to purchase 50,713 shares common stock at prices ranging from \$35.29 to \$43.70, such prices being 95% of market price on the respective dates of granting, adjusted for the 5% stock dividend. The options are exercisable on a cumulative basis over a ten-year period and expire on or before March 17, 1964. In addition, 52,177 shares common stock are reserved for future options.

3. CAPITAL IN EXCESS OF PAR VALUE OF COMMON STOCK. This account consists of:

Transfer from common stock account upon change of common stock from shares of no par value to shares of the par value of \$1 per share.....	\$16,707,235
Excess of assigned value over par value of 65,150 shares common stock issued as a stock dividend.....	2,664,635
Excess of sale proceeds over par value of 2,026 shares common stock sold to officers and employees pursuant to exercise of stock options.....	73,877
	<u>\$19,445,747</u>

4. LEASE COMMITMENTS. The company and its subsidiaries had 584 leases expiring more than three years after April 3, 1954. Such leases call for minimum annual rentals (excluding taxes, insurance and maintenance costs where payable by the lessee) totaling \$4,815,000, of which about 62% relates to leases expiring within 10 years and the remainder relates to leases expiring in from 10 to 21 years.

## FIFTEEN-YEAR FINANCIAL SUMMARY

(All Dollar Amounts Are Expressed in Thousands, Except Per Share and Per Sales Dollar Figures)

	52 weeks ended				Apr. 1, 1950*	Year ended December 31									
	Mar. 28, 1953	Mar. 29, 1952	Mar. 31, 1951	Apr. 1, 1950*		1948	1947	1946	1945	1944	1943	1942	1941	1940	1939
Apr. 3, 1954†															
\$603,736	\$542,035	\$521,311	\$469,771	\$416,644	\$388,614	\$314,575	\$233,542	\$227,630	\$212,082	\$209,106	\$157,677	\$124,839	\$114,824		
Earnings before taxes on income...	10,548	9,974	14,365	10,924	9,433	11,808	6,540	6,352	4,484	5,652	3,320	1,259	1,398		
Federal and State taxes on income...	5,465	4,920	7,250	4,180	3,770	5,807	4,565	4,520	2,775	3,643	1,160	269	244		
Net earnings...	5,083	5,054	7,115	6,744	5,663	6,001	1,975	1,832	1,709	2,009	2,160	990	1,154		
Cash dividends...	2,603	2,603	2,603	2,212	2,277	1,562	1,301	1,301	1,301	1,301	1,301	976	651		
Earnings for year retained in business...	2,480	2,451	4,512	4,532	3,386	4,439	674	531	408	708	859	14	503		
Net earnings per sales dollar...	.94¢	.97¢	1.51¢	1.62¢	1.36¢	1.91¢	.85¢	.80¢	.81¢	.96¢	1.37¢	.79¢	1.00¢		
Shares of stock outstanding at year-end...	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320	1,301,320		
Earnings per share...	3.90	3.88	5.46	5.18	4.35	4.61	1.51	1.40	1.31	1.54	1.66	.76	.88		
Cash dividends per share...	2.00	2.00	2.00	1.70	1.75	1.20	1.00	1.00	1.00	1.00	1.00	.75	.50		
Stockholders' equity:															
Total...	60,652	57,410	54,958	50,446	44,933	41,511	33,312	32,720	32,093	31,647	30,875	29,795	30,011		
Per share...	46.60	44.11	42.23	38.76	34.52	31.89	25.59	25.14	24.66	24.31	23.72	22.89	23.06		
Current assets...	67,082	65,441	70,676	56,865	55,396	47,784	32,172	30,922	30,168	28,149	27,147	20,552	20,553		
Current liabilities...	24,977	26,989	23,885	17,471	16,516	21,809	10,348	9,769	10,604	10,273	10,421	4,177	3,257		
Working capital...	42,105	38,452	46,791	39,394	38,880	25,975	21,824	21,153	19,564	17,876	16,726	16,375	17,296		
Current ratio...	2.69	2.43	2.96	3.25	3.35	2.19	3.11	3.17	2.84	2.74	2.61	4.92	6.31		
Plant and equipment:															
Additions...	3,608	13,847	10,597	5,789	6,036	4,165	2,013	966	704	1,220	2,418	2,110	1,982		
Depreciation and amortization provision...	4,071	3,608	3,030	2,614	2,091	1,455	1,631	1,346	1,371	1,399	1,353	1,236	1,129		
Net investment...	42,170	42,336	32,666	25,565	21,943	13,700	11,285	11,109	12,002	13,211	13,729	13,018	12,318		
Total assets...	111,172	109,984	104,742	84,125	78,301	62,249	44,003	42,489	42,698	41,920	41,296	33,972	33,268		
Long-term debt, less amount due within one year...	25,000	25,000	25,000	15,057	15,172	286	344	—	—	—	—	—	—		
Number of retail stores at year-end:															
Self-service super markets...	787	781	773	765	761	708	665	595	579	576	517	418	296		
Other stores...	502	627	732	872	1,072	1,213	1,347	1,358	1,487	1,523	1,613	1,739	1,976		
Total stores...	1,289	1,408	1,505	1,637	1,833	1,921	2,012	2,020	2,066	2,099	2,130	2,157	2,272		

† 53 week period.

\* The short period from January 1 to April 2, 1949) of transition from a calendar year to a fiscal year is not included in the foregoing summary. Earnings for such period amounted to \$1,486,231 or \$1.14 per share.

**T R A N S F E R   A G E N T S**

The Pennsylvania Company for Banking and Trusts  
Philadelphia, Pa.  
Bankers Trust Company  
New York, N. Y.

**R E G I S T R A R S**

Liberty Real Estate Bank and Trust Company  
Philadelphia, Pa.  
City Bank Farmers Trust Company  
New York, N. Y.

**A M E R I C A N   S T O R E S   C O M P A N Y**

**G E N E R A L   O F F I C E S :** 424 North Nineteenth Street, Philadelphia 30, Pa.